

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL MEMORANDUM

HB 7007 – SB 7001
FIRST EXTRAORDINARY SESSION
January 13, 2010

SUMMARY OF AMENDMENT (012108): Deletes the language “February 28, 2011” and replaces it with “March 28, 2011”.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue - \$265,200/FY09-10/General Fund
\$26,500/FY09-10/Tennessee Occupational Safety and
Health Act (TOSHA)

\$424,300/FY10-11/General Fund
\$42,400/FY10-11/TOSHA

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue - \$265,200/FY09-10/General Fund
\$26,500/FY09-10/Tennessee Occupational Safety and
Health Act (TOSHA)

\$477,300/FY10-11/General Fund
\$47,700/FY10-11/TOSHA

Assumptions applied to amendment:

- A decrease in the number of persons obtaining workers’ compensation insurance will decrease the total amount of premiums paid and as a result will decrease the amount of premium taxes collected. The workers’ compensation premium tax rate is four percent plus a 0.4 percent surcharge. Premium taxes collected from the surcharge are earmarked to administer the provisions of the Tennessee Occupational Safety and Health Act in accordance with Tenn. Code Ann. § 56-4-206.
- Premium taxes are collected equally each month during the fiscal year.
- According to the Department of Commerce and Insurance, no verifiable data exist on the number of persons affected. The Department estimates a range from 945 to 3,360 non-exempt persons in affected businesses with an estimated payroll ranging from \$30,000 to \$45,000 per partner or sole proprietor in each business. According to the Department,

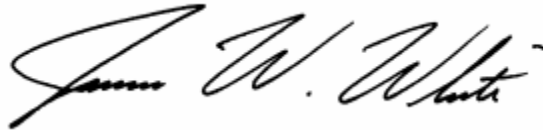
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current workers' compensation policy rates range from 10 percent to 20 percent of payroll costs.

- Based on this range, the annual reduction in premium revenue could range between approximately \$125,000 ($945 \times \$30,000 \times 10\% \times 4.4\%$) and \$1,300,000 ($3,360 \times \$45,000 \times 20\% \times 4.4\%$). The approximate mid-point of the range is \$700,000.
- The bill will become effective on February 1, 2010. The reduction in revenue from reduced premium taxes in FY09-10 will occur from February 1, 2010 – June 30, 2010 and in FY10-11 from July 1, 2010 – March 28, 2011.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/jaw